

OPEN MEETING



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ORIGINAL

MEMORANDUM

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Arizona Corporation Commission

DOCKETED

TO: THE COMMISSION

2014 MAY 28 A 10:44

FROM: The Utilities Division

MAY 28 2014

DATE: May 28, 2014

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY

RE: UNS GAS, INC. and UNS ELECTRIC, INC.—JOINT REQUEST TO MODIFY CARES OUTREACH PROGRAM REQUIREMENTS. (Docket Nos. E-04204A-14-0127 and G-04204A-14-0127)

Background

On April 11, 2014, UNS Gas, Inc. and UNS Electric, Inc. (“UNSG” and “UNSE” or “the Companies”) filed a joint application requesting approval from the Commission to modify their respective Customer Assistance Residential Energy Support (“CARES”) programs. Specifically, the Companies are requesting the Commission’s approval to discontinue quarterly advertising on radio, television, and in newspapers and through bill inserts.

CARES Programs: Discounts, Participation and Spending

UNSE Discount. The UNSE CARES program provides varying levels of discount (10-30% for 0-1,000 kWh usage; \$8.00 for over 1,000 kWh usage) to participating limited-income customers, plus a \$5.10 discount on the \$10.00 monthly customer charge.

UNSG Discount. The UNSG CARES program provides a \$0.15 per therm discount for the first 100 therms from November through April, and also provides a \$3.00 discount on the \$10.00 (with LFCR) or \$11.50 (without LFCR) monthly charge.

Participation. The number of customers in the UNSE CARES program increased from 5,118 in 2004 to 6,649 in 2014 (an approximately 30% increase), while the UNSG CARES program increased from 3,290 in 2004 to 7,450 in 2014 (an approximately 126% increase).

Spending. The annual spending for the UNSE CARES program in 2013 was approximately \$253,000. Of this amount, approximately 80% was spent on customer discounts, 14% was spent on administration, and 6% was spent on marketing. The annual spending for the UNSG CARES program in 2013 was approximately \$472,000. Of this amount, approximately 83% was spent on customer discounts, 8% was spent on administration, and 9% was spent on marketing.

UNSE also has a small Medical CARES program that provides discounts to approximately 450 UNSE patients using medical equipment deemed necessary for sustaining life. UNSE does not propose changes to its Medical CARES outreach.¹

¹ The CARES Medical rate was eliminated for new customers in the last rate case. The rate was frozen and is not portable.

Orders Relating to Outreach

Decision No. 66861. Pursuant to Decision No. 66861 (March 23, 2004), UNS Gas was ordered to:

“ . . .aggressively inform the public in all areas served by UNS of the availability and benefits of participation in the CARES program, including radio, television, and newspaper ads, as well as separate bill inserts in both Spanish and English to be sent out quarterly.”

Decision No. 67434. In Decision No. 67434 (December 3, 2004) UNSG was ordered to continue the outreach mandated in Decision No. 66861. Decision No. 67434 also ordered UNSE to participate in those same outreach efforts.

The Companies are also required to docket semi-annual reports on their CARES programs, identifying participation levels and expenditures related to the programs. The most recent semi-annual reports were docketed on January 29, 2014.

Proposed Changes

The Companies state that the advertising efforts prescribed for their CARES programs are not cost-effective.

UNSE and UNSG state that, together, they spend approximately \$70,000 on print and radio advertisements, bill inserts, and related costs. The per-category costs break down as follows:

Print Advertisements	\$17,000
Radio Advertisements	\$12,000
Bill Inserts	\$40,000
Miscellaneous costs (Spanish translations, designing for print advertisements and bill inserts, recording costs and licensing fees.)	\$1,200

UNSG and UNSE would like to discontinue these types of advertising in favor of more targeted efforts. The targeted efforts listed by the Companies include: (i) working closely with agency partners; (ii) informing customers about the programs through customer care representatives; and (iii) informing customers using the Companies' websites.

Arizona Community Action Agency ("ACAA") Input

ACAA is a non-profit agency that develops and implements strategies to address poverty. Its activities include the operation, management and support of programs to assist limited-income ratepayers in meeting their energy needs.

The ACAA does not administer either CARES program. ACAA works to educate Arizona community action agencies about the CARES programs and their availability.

In communication with Staff, ACAA indicated that it believes some outreach is still necessary. ACAA recommended that the Companies continue with bill inserts twice a year and supported the idea of low-cost methods of outreach, such as community outreach events and working with various agencies to enhance awareness and enrollment.

ACAA also recommended that the funds saved by reducing spending on advertising be shifted to the Weatherization program, where it could be used to make the homes of limited-income ratepayers more energy efficient.

Recommendations

Staff has recommended that the Commission approve the UNSE and UNSG application requesting that the Companies be allowed to modify their CARES outreach. Staff is concerned, however, that eliminating television, radio and print advertising, and bill inserts could significantly reduce awareness of the CARES programs, particularly for new UNSE and UNSG customers. Staff has recommended that the Companies improve their targeted outreach as discussed herein, including an emphasis on community outreach events and on working with community action agencies to enhance awareness of, and enrollment in, the CARES programs. Staff has also recommended that UNSG and UNSE be required to provide information concerning the CARES programs to new UNSG and UNSE customers. In addition, Staff has recommended that information on the CARES programs be provided to UNSG and UNSE customers the first time they are significantly late in paying their utility bills.

The budgets for the two CARES programs are in base rates. Staff has recommended that any money saved on television, print and radio advertisements, or from reducing the frequency of bill inserts, be retained in the CARES program or moved into Weatherization.

CARES reporting can be used to evaluate the more targeted outreach proposed by the Companies. Staff recommends that current reporting on the CARES programs continue for both programs and that the Companies indicate in the cover letter the average increase or decrease in participation during the six-month reporting period.

Summary of Recommendations

- Staff recommends that the Commission approve the UNSE and UNSG application to improve the cost-effectiveness of their CARES outreach efforts.
- Staff recommends that the Companies also improve their targeted outreach as discussed herein, including an emphasis on community outreach events and on working with community action agencies to enhance awareness of, and enrollment in, the CARES programs.

- Staff recommends that UNSG and UNSE provide information concerning the CARES programs to new UNSG and UNSE customers.
- Staff recommends that information on the CARES programs be provided to UNSG and UNSE customers the first time they are significantly late in paying their utility bills.
- Staff recommends that any money saved on television, print and radio advertisements, or from reducing the frequency of bill inserts, be retained in the CARES program or moved into Weatherization.
- Staff recommends that current reporting on the CARES programs continue for both programs and that the Companies indicate in the cover letter the average increase or decrease in participation during the six-month reporting period.



Steven M. Olea
Director
Utilities Division

SMO:JMK:sms\RRM

ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF A JOINT REQUEST
BY UNS ELECTRIC, INC. AND UNS GAS,
INC. TO MODIFY CARES OUTREACH
PROGRAM REQUIREMENTS

DOCKET NOS. E-04204A-14-0127 and
G-04204A-14-0127

DECISION NO. _____

ORDER

Open Meeting
June 10 and June 11, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. and UNS Electric, Inc. (“UNSG” and “UNSE” or “the Companies”) are both subsidiaries of UniSource Energy Services. UNSG is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission. UNSE is engaged in providing electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

Background

2. On April 11, 2014, UNSE and UNSG filed a joint application requesting approval from the Commission to modify their respective Customer Assistance Residential Energy Support (“CARES”) programs. Specifically, the Companies are requesting the Commission’s approval to discontinue quarterly advertising on radio, television, and in newspapers and through bill inserts.

...
...

CARES Programs: Discounts, Participation and Spending

3. UNSE Discount. The UNSE CARES program provides varying levels of discount (10-30% for 0-1,000 kWh usage; \$8.00 for over 1,000 kWh usage) to participating limited-income customers, plus a \$5.10 discount on the \$10.00 monthly customer charge.

4. UNSG Discount. The UNSG CARES program provides a \$0.15 per therm discount for the first 100 therms from November through April, and also provides a \$3.00 discount on the \$10.00 (with LFCR) or \$11.50 (without LFCR) monthly charge.

5. Participation. The number of customers in the UNSE CARES program increased from 5,118 in 2004 to 6,649 in 2014 (an approximately 30% increase), while the UNSG CARES program increased from 3,290 in 2004 to 7,450 in 2014 (an approximately 126% increase).

6. Spending. The annual spending for the UNSE CARES program in 2013 was approximately \$253,000. Of this amount, approximately 80% was spent on customer discounts, 14% was spent on administration, and 6% was spent on marketing. The annual spending for the UNSG CARES program in 2013 was approximately \$472,000. Of this amount, approximately 83% was spent on customer discounts, 8% was spent on administration, and 9% was spent on marketing.

7. UNSE also has a small Medical CARES program that provides discounts to approximately 450 UNSE patients using medical equipment deemed necessary for sustaining life. UNSE does not propose changes to its Medical CARES outreach.¹

Orders Relating to Outreach

8. Decision No. 66861. Pursuant to Decision No. 66861 (March 23, 2004), UNS Gas was ordered to

“ . . . aggressively inform the public in all areas served by UNS of the availability and benefits of participation in the CARES program, including radio, television, and newspaper ads, as well as separate bill inserts in both Spanish and English to be sent out quarterly.”

...

¹ The CARES Medical rate was eliminated for new customers in the last rate case. The rate was frozen and is not portable.

9. Decision No. 67434. In Decision No. 67434 (December 3, 2004) UNSG was ordered to continue the outreach mandated in Decision No. 66861. Decision No. 67434 also ordered UNSE to participate in those same outreach efforts.

10. The Companies are also required to docket semi-annual reports on their CARES programs, identifying participation levels and expenditures related to the programs. The most recent semi-annual reports were docketed on January 29, 2014.

Proposed Changes

11. The Companies state that the advertising efforts prescribed for their CARES programs are not cost-effective.

12. UNSE and UNSG state that, together, they spend approximately \$70,000 on print and radio advertisements, bill inserts, and related costs. The per-category costs break down as follows:

Print Advertisements	\$17,000
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13. UNSG and UNSE would like to discontinue these types of advertising in favor of more targeted efforts. The targeted efforts listed by the Companies include: (i) working closely with agency partners; (ii) informing customers about the programs through customer care representatives; and (iii) informing customers using the Companies' websites.

Arizona Community Action Agency ("ACAA") Input

14. ACAA is a non-profit agency that develops and implements strategies to address poverty. Its activities include the operation, management and support of programs to assist limited-income ratepayers in meeting their energy needs.

15. The ACAA does not administer either CARES program. ACAA works to educate Arizona community action agencies about the CARES programs and their availability.

16. In communication with Staff, ACAA indicated that it believes some outreach is still necessary. ACAA recommended that the Companies continue with bill inserts twice a year and

1 supported the idea of low-cost methods of outreach, such as community outreach events and working
2 with various agencies to enhance awareness and enrollment.

3 17. ACAA also recommended that the funds saved by reducing spending on advertising be
4 shifted to the Weatherization program, where it could be used to make the homes of limited-income
5 ratepayers more energy efficient.

6 Recommendations

7 18. Staff has recommended that the Commission approve the UNSE and UNSG
8 application requesting that the Companies be allowed to modify their CARES outreach. Staff is
9 concerned, however, that eliminating television, radio and print advertising, and bill inserts could
10 significantly reduce awareness of the CARES programs, particularly for new UNSE and UNSG
11 customers. Staff has recommended that the Companies improve their targeted outreach as discussed
12 herein, including an emphasis on community outreach events and on working with community action
13 agencies to enhance awareness of, and enrollment in, the CARES programs. Staff has also
14 recommended that UNSG and UNSE be required to provide information concerning the CARES
15 programs to new UNSG and UNSE customers. In addition, Staff has recommended that information
16 on the CARES programs be provided to UNSG and UNSE customers the first time they are
17 significantly late in paying their utility bills.

18 19. The budgets for the two CARES programs are in base rates. Staff has recommended
19 that any money saved on television, print and radio advertisements, or from reducing the frequency of
20 bill inserts, be retained in the CARES program or moved into Weatherization.

21 20. CARES reporting can be used to evaluate the more targeted outreach proposed by the
22 Companies. Staff has recommended that current reporting on the CARES programs continue for
23 both programs and that the Companies indicate in the cover letter the average increase or decrease in
24 participation during the six-month reporting period.

25 CONCLUSIONS OF LAW

26 1. UNS Electric, Inc. and UNS Gas Inc. are Arizona public service corporations within
27 the meaning of Article XV, Section 2, of the Arizona Constitution.

28 ...

3. The Commission, having reviewed the application and Staff's Memorandum dated May 28, 2014, concludes that it is in the public interest to modify outreach for the UNS Electric, Inc. and UNS Gas Inc. CARES programs.

ORDER

IT IS FURTHER ORDERED that UNS Gas, Inc. and UNS Electric, Inc. improve their targeted outreach as discussed herein, including an emphasis on community outreach events and working with various agencies to enhance awareness and enrollment.

IT IS FURTHER ORDERED that UNS Gas, Inc. and UNS Electric, Inc. provide information concerning the CARES programs to UNS Gas, Inc. and UNS Electric, Inc. customers the first time customers are significantly late in paying their utility bills.

1

1 IT IS FURTHER ORDERED that any money saved on television, print and radio
2 advertisements, or from reducing the frequency of bill inserts, be retained in the CARES program or
3 moved into Weatherization.

4 IT IS FURTHER ORDERED that current reporting on the CARES programs continue and
5 that UNS Electric, Inc. and UNS Gas, Inc. indicate in the cover letter the average increase or decrease
6 in participation during the six-month reporting period.

7 IT IS FURTHER ORDERED that this Order take effect immediately.

8
9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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11 _____
CHAIRMAN

COMMISSIONER

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14 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

15
16 IN WITNESS WHEREOF, I, JODI JERICH, Executive
17 Director of the Arizona Corporation Commission, have
18 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2014.

19
20 _____
21 JODI JERICH
22 EXECUTIVE DIRECTOR

23 DISSENT: _____

24 DISSENT: _____

25 SMO:JKM:sms\RRM
26
27
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1 SERVICE LIST FOR: UNS Electric, Inc. and UNS Gas, Inc.
2 DOCKET NOS. E-04204A-14-0127 and G-04204A-14-0127

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